

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>Charter Township of Genesee</b>	County <b>Genesee</b>
Audit Date <b>12/31/05</b>	Opinion Date <b>3/24/06</b>	Date Accountant Report Submitted to State:	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

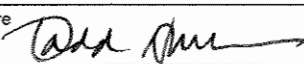
1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).		✓	

Certified Public Accountant (Firm Name) <b>Plante &amp; Moran, PLLC</b>			
Street Address <b>111 East Court Street, Suite 1A</b>	City <b>Flint</b>	State <b>MI</b>	ZIP <b>48502</b>
Accountant Signature 		Date <b>4/22/06</b>	

**Financial Statements**

**Charter Township of Genesee  
Genesee County, Michigan**

**December 31, 2005**

**Charter Township of Genesee**  
**List of Elected, Civil Service, and Appointed Officials**

Scott Streeter	Supervisor
Charles Marshall	Clerk
Donald Becker	Treasurer
Richard Burrus	Trustee
Helen Oliver	Trustee
Christine White	Trustee
Ronald Shamel	Trustee

**Charter Township of Genesee  
Financial Statements  
For the Fiscal Year Ended December 31, 2005**

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**Charter Township of Genesee  
Financial Statements  
For the Fiscal Year Ended December 31, 2005**

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*Independent Auditors' Report*

Members of the Board  
Charter Township of Genesee, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Charter Township of Genesee, Michigan (Township) as of December 31, 2005, for the year then ended, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to in the first paragraph, present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Charter Township of Genesee, Michigan at December 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis retirement system schedules of funding progress and the budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Township's basic financial statements. The accompanying supplemental information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2006 on our consideration of the Charter Township of Genesee's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide opinions on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

PLANTE & MORAN, PLLC

March 24, 2006

## **Management's Discussion and Analysis**



## **Charter Township of Genesee Management's Discussion and Analysis**

As management of the Charter Township of Genesee, we offer readers of the Charter Township of Genesee's financial statements this narrative overview and analysis of the financial activities of the Charter Township of Genesee for the fiscal year ended December 31, 2005.

### **Financial Highlights**

- The assets of the Charter Township of Genesee exceeded its liabilities at the close of the most recent fiscal year by \$35,190,817 (*net assets*). Of this amount, \$10,273,011 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$252,032. This increase is attributable to the Business-type activities of the government's operations.
- As of the close of the current fiscal year, the Charter Township of Genesee's governmental funds reported combined ending fund balances of \$3,104,788, a decrease of \$1,139,608 in comparison with the prior year. Approximately 95% of this total amount, \$2,949,289, is *available for spending* at the government's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$2,453,214, or 38 percent of total general fund expenditures.

### **Using this Annual Report**

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements by providing information about the Township's most significant funds. The fiduciary fund statements provide financial information about activities for which the Township acts solely as a trustee or agent for the benefit of those outside of the government.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 19 through 37 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the Charter Township of Genesee's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on page 38 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 39 through 43 of this report.

## Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Charter Township of Genesee, assets exceeded liabilities by \$35,190,817 at the close of the most recent fiscal year.

By far the largest portion of the Charter Township of Genesee's net assets (63 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The Charter Township of Genesee uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Charter Township of Genesee's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

### *Charter Township of Genesee's Net Assets*

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Current and other assets	\$6,008,535	\$6,368,156	\$ 8,901,379	\$ 9,633,579	\$14,909,913	\$16,001,735
Capital assets	2,613,129	1,397,456	24,275,840	23,602,191	26,888,969	24,893,311
Total assets	8,621,664	7,765,612	33,177,219	33,235,770	41,798,882	40,895,046
Long-term liabilities						
outstanding	548,609	361,458	1,979,687	1,068,945	2,528,296	1,353,724
Other liabilities	3,013,570	2,185,131	1,066,200	2,447,063	4,079,769	2,843,916
Total liabilities	3,562,179	2,546,589	3,045,887	3,516,008	6,608,065	4,197,640
Invested in capital assets, net of related debt	2,033,024	832,898	21,828,777	20,687,752	23,861,801	21,520,650
Restricted	9,420	-	1,046,585	1,351,301	1,056,005	1,351,301
Unrestricted	3,017,041	4,386,126	7,255,970	7,680,709	10,273,011	13,825,455
Total net assets	\$5,059,485	\$5,219,024	\$30,131,332	\$29,719,762	\$35,190,817	\$36,697,406

An additional portion of the Charter Township of Genesee's net assets (2.97 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$11,665,518) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Charter Township of Genesee is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

The government's net assets increased by \$252,032 during the current fiscal year. This increase represents the Business-type activities of the government's operations.

**Governmental activities.** Governmental activities decreased the Charter Township of Genesee's net assets by \$159,539. Key elements of this decrease are as follows:

*Charter Township of Genesee's Changes in Net Assets*

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Revenues:						
Program revenues:						
Charges for services	\$1,637,604	\$1,891,834	\$ 3,364,167	\$ 3,195,591	\$ 5,001,771	\$ 5,087,425
Operating grants and contributions	503,219	357,782	-	-	503,219	357,782
Capital grants and contributions	181,535	499,500	67,950	131,650	249,485	631,150
General revenues:						
Property taxes	1,767,798	1,557,305	140,212	132,608	1,908,010	1,689,913
State shared revenue	2,225,617	2,246,398	-	-	2,225,617	2,246,398
Investment earnings	126,643	64,486	302,125	176,377	428,768	240,863
Franchise fees	201,474	201,493	-	-	201,474	201,493
Gain on sale of fixed assets	49,770	-	-	-	49,770	-
Total revenues	6,693,660	6,818,798	3,874,454	3,636,226	10,568,114	10,455,024
Expenses:						
Legislative	150,097	151,879	-	-	150,097	151,879
General government	1,775,337	1,526,771	-	-	1,775,337	1,526,771
Public safety	3,636,269	3,321,309	-	-	3,636,269	3,321,309
Highways and streets	181,372	196,560	-	-	181,372	196,560
Sanitation	946,946	1,065,688	-	-	946,946	1,065,688
Recreation and culture	123,249	131,772	-	-	123,249	131,772
Economic development	6,146	10,893	-	-	6,146	10,893
Interest on long-term debt	33,783	30,441	-	-	33,783	30,441
Water	-	-	1,554,248	1,276,817	1,554,248	1,276,817
Sewer	-	-	1,908,635	1,901,309	1,908,635	1,901,309
Total expenses	6,853,199	6,435,313	3,462,883	3,178,126	10,316,082	9,613,439
Increase/(decrease) in net assets	(159,539)	383,485	411,571	458,100	252,032	841,585
Net assets – Beginning of year	5,219,024	4,835,539	29,719,761	29,261,662	34,938,785	34,097,201
Net assets – End of year	\$5,059,485	\$5,219,024	\$30,131,332	\$29,719,762	\$35,190,817	\$34,938,786

- Property taxes overall decreased by \$98,356 (5 percent) during the year. Most of this decrease is the product of a reduction in the sewer debt levy within the Business-type activities.
- State-shared revenues (sales taxes) decreased \$20,781 or 1%.

For the most part, increases in expenses closely paralleled inflation and growth in the demand for services.

**Business-type activities.** Business-type activities increased the Charter Township of Genesee's net assets by \$411,571 accounting for 163 percent of the total growth in the government's net assets. Key elements of this increase are as follows.

- Charges for services for business-type activities increased by 1.1 percent. Revenues increased as a result of a modest increase in demand. Also, interest income of \$302,125 was realized and the sewer debt levy generated \$140,212 in revenues ear-marked for the payment of outstanding debt obligations. Together, these factors account for the change in net assets.

### **Financial Analysis of the Government's Funds**

As noted earlier, the Charter Township of Genesee uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the Charter Township of Genesee's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Charter Township of Genesee's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Charter Township of Genesee's governmental funds reported combined ending fund balances of \$3,104,788, a decrease of \$1,139,608 in comparison with the prior year. Approximately 94% of this total amount (\$2,949,289) constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed to liquidate contracts and purchase orders of the prior period (\$155,499).

The general fund is the chief operating fund of the Charter Township of Genesee. At the end of the current fiscal year, unreserved fund balance of the general fund was \$2,453,214, while total fund balance reached \$2,608,713. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Total unreserved fund balance represents 38 percent of total general fund expenditures, while total fund balance represents 41 percent of that same amount.

The fund balance of the Charter Township of Genesee's general fund decreased by \$216,949 during the current fiscal year. Key factors in this decrease are as follows:

- An increase in expenditures in public safety in the amount of \$142,673.
- Intergovernmental revenues of the general fund decreased significantly as well, by \$67,958, as a result of a decrease in state shared revenues.

**Proprietary funds.** The Charter Township of Genesee's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Water and Sewer Funds at the end of the year amounted to \$7,255,970. The total growth in net assets for both funds was \$269,487 and \$142,084, respectively. Other factors concerning the finances of these two funds have already been addressed in the discussion of the Charter Township of Genesee's business-type activities.

## **General Fund Budgetary Highlights**

Differences between the original budget and the final amended budget for the General Fund were relatively minor and can be briefly summarized as follows:

- \$35,000 in increase to the Federal intergovernmental – FEMA revenue activities.
- \$53,000 in increases allocated to the Central fire department.
- \$40,000 in decreases allocated for Fringe benefits.

## **Capital Asset and Debt Administration**

**Capital assets.** The Charter Township of Genesee's investment in capital assets for its governmental and business type activities as of December 31, 2005, amounts to \$26,888,969 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment. The total net increase in the Charter Township of Genesee's investment in capital assets for the current fiscal year was \$1,215,673 for governmental activities and \$673,649 for business-type activities.

Detailed information on the Charter Township of Genesee's capital assets can be found in note IV.B on pages 28 and 29 of this report.

**Long-term debt.** At the end of the current fiscal year, the Charter Township of Genesee had total long-term debt outstanding of \$3,027,168. Of this amount, \$658,432 will be paid from governmental activities and \$2,447,063 will be paid from Sewer and Water resources as well as the sewer debt millage.

Additional information on the Charter Township of Genesee's long-term debt can be found in note IV .D on pages 31 through 33 of this report.

## **Economic Factors and Next Year's Budgets and Rates**

- The State's economy has been in a downward trend for the past few years. As a result, the Sate legislature has significantly cut state shared resources to units of government as a strategy to help reduce the State's budget deficit. The negative impact on the future state shared revenues is expected to continue in 2006.
- Inflationary trends in the region compare favorably to national indices.

These factors were considered in preparing the Charter Township of Genesee's budget for the 2006 fiscal year.

During the current fiscal year, unreserved fund balance in the general fund increased to \$2,453,214. The Charter Township of Genesee has appropriated \$0 of this amount for spending in the 2006 fiscal year budget.

## **Requests for Information**

This financial report is designed to provide a general overview of the Charter Township of Genesee's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Clerk, Charter Township of Genesee, P.O. Box 215, Genesee, MI, 48437.

## **Basic Financial Statements**

## **Government-wide Financial Statements**

**Charter Township of Genesee  
Statement of Net Assets  
December 31, 2005**

	<b>Primary Government</b>			<b>Component Unit</b>
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	<b>Economic Development Corporation</b>
<b>Assets</b>				
Cash and equivalents	\$ 1,872,174	\$ 5,732,566	\$ 7,604,740	\$ -
Investments	1,212,289	1,453,286	2,665,575	-
Receivables	2,075,868	1,671,212	3,747,080	-
Due from primary government	-	-	-	257
Due from other governments	582,175	-	582,175	-
Internal balances	126,197	(126,197)	-	-
Inventory	-	-	-	-
Prepaid items	139,832	5,650	145,482	-
Other assets	-	32,038	32,038	-
Restricted cash	-	132,824	132,824	-
Capital assets (not depreciated)	1,383,087	-	1,383,087	-
Capital assets (net of accumulated depreciation)	1,230,042	24,275,840	25,505,882	-
Total assets	8,621,664	33,177,219	41,798,883	257
<b>Liabilities</b>				
Accounts payable	573,855	275,132	848,987	-
Accrued liabilities	193,365	160,158	353,523	-
Retainer payable	76,178	-	76,178	-
Deposits	-	3,251	3,251	-
Due to component unit	257	-	257	-
Due to other governments	180,803	5,000	185,803	-
Deferred revenue	1,879,289	155,283	2,034,572	-
Noncurrent liabilities:				
Due within one year	109,823	467,376	577,199	-
Due in more than one year	548,609	1,979,687	2,528,296	-
Total liabilities	3,562,179	3,045,887	6,608,066	-
<b>Net Assets</b>				
Invested in capital assets, net of related debt	2,033,024	21,828,777	23,861,801	-
Restricted for:				
Drug forfeiture	9,420	-	9,420	-
Debt service	-	1,046,585	1,046,585	-
Unrestricted	3,017,041	7,255,970	10,273,011	257
Total net assets	\$ 5,059,485	\$ 30,131,332	\$ 35,190,817	\$ 257

*See notes to financial statements.*



**Charter Township of Genesee  
Statement of Activities  
For the Year Ended June 30, 2005**

Functions\Programs	Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions
<b>Primary government:</b>			
Governmental activities:			
Legislative	\$ 150,097	\$ -	\$ -
General government	1,775,337	310,515	122,930
Public safety	3,636,269	218,180	283,769
Highways and streets	181,372	137,374	-
Sanitation	946,946	971,535	-
Recreation and culture	123,249	-	96,520
Economic development	6,146	-	-
Interest on long-term debt	33,783	-	-
Total governmental activities	6,853,199	1,637,604	503,219
Business-type activities:			
Sewer	1,908,635	1,670,463	-
Water	1,554,248	1,693,704	-
Total business-type activities	3,462,883	3,364,167	-
Total primary government	\$ 10,316,082	\$ 5,001,771	\$ 503,219
<b>Component units:</b>			
Economic Development Corporation	\$ -	\$ -	\$ -
Total component units	\$ -	-	-
General revenues:			
Property taxes			
State shared revenue			
Unrestricted investment earnings			
Franchise fees			
Gain on sale of fixed assets			
Total general revenues			
Change in net assets			
Net assets - beginning, as restated			
<b>Net assets - ending</b>			

*See notes to financial statements.*

Net (Expense) Revenue and Changes in Net Assets				
Capital Grants and Contributions	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Economic Development Corporation
\$ -	\$ (150,097)	\$ -	\$ (150,097)	\$ -
-	(1,341,892)	-	(1,341,892)	-
-	(3,134,320)	-	(3,134,320)	-
181,535	137,537	-	137,537	-
-	24,589	-	24,589	-
-	(26,729)	-	(26,729)	-
-	(6,146)	-	(6,146)	-
-	(33,783)	-	(33,783)	-
181,535	(4,530,841)	-	(4,530,841)	-
31,750	-	(206,422)	(206,422)	-
36,200	-	175,656	175,656	-
67,950	-	(30,766)	(30,766)	-
\$ 249,485	(4,530,841)	(30,766)	(4,561,607)	-
\$ -	-	-	-	-
-	-	-	-	-
1,767,798	140,212	1,908,010	-	-
2,225,617	-	2,225,617	-	-
126,643	302,125	428,768	-	-
201,474	-	201,474	-	-
49,770	-	49,770	-	-
4,371,302	442,337	4,813,639	-	-
(159,539)	411,571	252,032	-	-
5,219,024	29,719,761	34,938,785	257	257
\$ 5,059,485	\$ 30,131,332	\$ 35,190,817	\$ 257	257

See notes to financial statements.

## **Fund Financial Statements**

**Charter Township of Genesee  
Balance Sheet  
Governmental Funds  
December 31, 2005**

	<b>General</b>	<b>Capital Projects</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets</b>				
Cash and cash equivalents	\$ 1,759,957	\$ 40,648	\$ 71,569	\$ 1,872,174
Investments	302,363	909,926	-	1,212,289
Receivables:				
Current taxes	1,100,529	-	-	1,100,529
Customers	963,554	-	-	963,554
Accrued interest	3,364	8,421	-	11,785
Due from other funds	204,249	63,970	-	268,219
Due from other governments	548,126	-	32,598	580,724
Prepaid items	139,832	-	-	139,832
<b>Total assets</b>	<b>\$ 5,021,974</b>	<b>\$ 1,022,965</b>	<b>\$ 104,167</b>	<b>\$ 6,149,106</b>
<b>Liabilities and Fund Balance</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 95,577	\$ 472,572	\$ 5,706	\$ 573,855
Retainer payable	-	76,178	-	76,178
Accrued liabilities	193,365	-	-	193,365
Due to other funds	63,970	-	76,601	140,571
Due to other governments	180,803	-	-	180,803
Due to component unit	257	-	-	257
Deferred revenue	1,879,289	-	-	1,879,289
<b>Total liabilities</b>	<b>2,413,261</b>	<b>548,750</b>	<b>82,307</b>	<b>3,044,318</b>
<b>Fund balances:</b>				
Reserved for prepaid items	139,832	-	-	139,832
Reserved for sanitation	15,667	-	-	15,667
Unreserved reported in:				
General	2,453,214	-	-	2,453,214
Special revenue	-	-	9,420	9,420
Capital projects	-	474,215	-	474,215
Debt service	-	-	12,440	12,440
<b>Total fund equity and other credits</b>	<b>2,608,713</b>	<b>474,215</b>	<b>21,860</b>	<b>3,104,788</b>
<b>Total liabilities and fund balances</b>	<b>\$ 5,021,974</b>	<b>\$ 1,022,965</b>	<b>\$ 104,167</b>	<b>\$ 6,149,106</b>

See notes to financial statements.

**Charter Township of Genesee  
Reconciliation of the Fund Balance as Reported in the  
Governmental Balance Sheet to the Statement of Net Assets  
For the Year Ended December 31, 2005**

Total Governmental Funds fund balance as reported in the balance sheet governmental funds	\$ 3,104,788
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	2,613,129
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Long term liabilities, including long term notes payable, are not due and payable in the current period, and therefore, are not reported in the funds.	<u>(658,432)</u>
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Net assets - governmental activities	<u><u>\$ 5,059,485</u></u>
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*See notes to financial statements.*

**Charter Township of Genesee**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended December 31, 2005**

	<b>General</b>	<b>Capital Projects</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues</b>				
Taxes	\$ 1,767,798	\$ -	\$ -	\$ 1,767,798
Licenses and permits	76,699	-	-	76,699
Intergovernmental:				
Federal	242,924	-	400,985	643,909
State	2,322,019	-	-	2,322,019
Local	39,088	-	-	39,088
Charges for services	1,610,441	-	-	1,610,441
Forfeitures	-	-	45,659	45,659
Interest	84,070	41,063	1,510	126,643
Miscellaneous	17,236	-	-	17,236
Total revenues	6,160,275	41,063	448,154	6,649,492
<b>Expenditures</b>				
Current:				
General government	864,357	-	122,930	987,287
Public safety	3,622,204	-	30,918	3,653,122
Highways, streets, and bridges	195,006	-	181,535	376,541
Sanitation	946,946	-	-	946,946
Health and welfare	-	-	96,520	96,520
Other functions	755,968	-	-	755,968
Capital outlay	-	1,245,743	-	1,245,743
Debt service:				
Principal	-	103,135	3,031	106,166
Interest and fiscal charges	-	33,043	740	33,783
Total expenditures	6,384,481	1,381,921	435,674	8,202,076
Excess (deficiency) of revenues over expenditures	(224,206)	(1,340,858)	12,480	(1,552,584)
<b>Other financing sources (uses)</b>				
Transfers in (out)	5,358	-	(5,358)	-
Sale of property and equipment	1,899	64,970	-	66,869
Issuance of debt	-	346,107	-	346,107
Total other financing sources (uses)	7,257	411,077	(5,358)	412,976
Net change in fund balances	(216,949)	(929,781)	7,122	(1,139,608)
Fund balance at beginning of year, as restated	2,825,662	1,403,996	14,738	4,244,396
<b>Fund balance at end of year</b>	<b>\$ 2,608,713</b>	<b>\$ 474,215</b>	<b>\$ 21,860</b>	<b>\$ 3,104,788</b>

*See notes to financial statements.*

**Charter Township of Genesee  
Reconciliation of the Statement of Revenues,  
Expenditures, and Changes in Fund Balances of Governmental Funds  
To the Statement of Activities  
For the Year Ended December 31, 2005**

Amounts reported for governmental activities in the statement of activities  
are different because:

Net Change in fund balances - total governmental funds	\$ (1,139,608)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	1,215,673
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items	<u>(235,604)</u>
Change in net assets of governmental activities	<u><u>\$ (159,539)</u></u>

*See notes to financial statements.*

**Charter Township of Genesee  
General Fund  
Statement of Revenues, Expenditures, and Changes in Fund Balance -  
Budget and Actual  
For the Year Ended December 31, 2005**

	Budgeted Amounts		Actual Amounts	Variance with Amended Budget
	Original	Amended		
<b>Revenues</b>				
Taxes	\$1,762,050	\$1,762,050	\$ 1,767,798	\$ 5,748
Licenses and permits:				
Building permits	60,000	60,000	48,127	(11,873)
Trailer park permits	15,500	15,500	13,492	(2,008)
Other permits and licenses	11,400	11,400	15,080	3,680
Total licenses and permits	86,900	86,900	76,699	(10,201)
Intergovernmental - federal:				
FANG	172,500	172,500	205,574	33,074
Local law enforcement block grant	10,000	10,000	6,920	(3,080)
FEMA	-	35,000	30,430	(4,570)
Total intergovernmental - federal	182,500	217,500	242,924	25,424
Intergovernmental - state:				
State shared revenues	2,400,000	2,400,000	2,225,617	(174,383)
G.A.I.N.	98,000	98,000	96,402	(1,598)
Total intergovernmental - state	2,498,000	2,498,000	2,322,019	(175,981)
Intergovernmental - local:				
Narcotics grant	15,000	15,000	39,088	24,088
Total intergovernmental - local	15,000	15,000	39,088	24,088
Charges for services:				
Garbage collection	939,900	939,900	971,535	31,635
Street lights	131,000	131,000	137,374	6,374
Road, weed, and light assessment	-	-	34,876	34,876
Tax collection fees and penalties	157,000	157,000	163,687	6,687
District court fees	40,000	40,000	53,054	13,054
Cable TV franchise fees	200,000	200,000	201,475	1,475
Special assessment administration	800	800	-	(800)
Other services	52,600	52,600	48,440	(4,160)
Total charges for services	1,521,300	1,521,300	1,610,441	89,141
Interest	50,000	50,000	84,070	34,070
Sale of property and equipment	70,000	70,000	1,899	(68,101)
Miscellaneous	100	100	17,236	17,136
Total revenues	6,185,850	6,220,850	6,162,174	(58,676)

See notes to financial statements.

(continued)



**Charter Township of Genesee  
General Fund  
Statement of Revenues, Expenditures, and Changes in Fund Balance -  
Budget and Actual (continued)  
For the Year Ended December 31, 2005**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Amended Budget</b>
	<b>Original</b>	<b>Amended</b>		
<b>Expenditures</b>				
Current:				
General government:				
Township Board	89,482	94,482	<b>88,353</b>	6,129
Supervisor	192,500	197,500	<b>191,753</b>	5,747
Assessor	108,900	123,900	<b>118,606</b>	5,294
Elections	34,500	9,500	<b>6,765</b>	2,735
Audit	15,000	18,000	<b>17,950</b>	50
Legal	12,000	30,000	<b>26,190</b>	3,810
Clerk	174,273	178,273	<b>172,545</b>	5,728
Treasurer	118,398	108,398	<b>99,162</b>	9,236
Township hall	49,700	52,700	<b>43,063</b>	9,637
Township building and equipment	8,000	20,000	<b>17,743</b>	2,257
Vehicles	24,000	32,000	<b>13,838</b>	18,162
Cemetery	2,360	2,360	<b>2,190</b>	170
Miscellaneous	50,300	40,300	<b>66,199</b>	(25,899)
Total general government	<b>879,413</b>	<b>907,413</b>	<b>864,357</b>	43,056
Public safety:				
Police services	3,143,703	3,096,703	<b>3,084,477</b>	12,226
Police reserves	50	50	<b>36</b>	14
Central fire department	174,337	227,337	<b>217,423</b>	9,914
Fire department #2	167,113	172,113	<b>163,516</b>	8,597
Mt. Morris fire contract	26,000	33,000	<b>29,588</b>	3,412
Building department	129,015	133,015	<b>127,164</b>	5,851
Total public safety	<b>3,640,218</b>	<b>3,662,218</b>	<b>3,622,204</b>	40,014
Highways, streets, and bridges	200,050	200,050	<b>195,006</b>	5,044
Sanitation	940,000	947,000	<b>946,946</b>	54
Other functions:				
Library	22,900	22,900	<b>20,688</b>	2,212
Planning commission	1,900	5,900	<b>3,362</b>	2,538
Appeals board	900	1,900	<b>1,084</b>	816
Insurance	31,300	24,300	<b>19,047</b>	5,253
Drains at large	40,000	57,000	<b>56,547</b>	453
Township properties	21,100	24,100	<b>18,518</b>	5,582
Economic development	15,200	15,200	<b>13,346</b>	1,854
Fringe benefits	695,030	655,030	<b>623,376</b>	31,654
Total other services	<b>828,330</b>	<b>806,330</b>	<b>755,968</b>	50,362
Total expenditures	<b>6,488,011</b>	<b>6,523,011</b>	<b>6,384,481</b>	138,530
Excess (deficiency) of revenues over expenditures	(302,161)	(302,161)	<b>(222,307)</b>	79,854

See notes to financial statements.

(continued)

**Charter Township of Genesee  
General Fund  
Statement of Revenues, Expenditures, and Changes in Fund Balance -  
Budget and Actual (continued)  
For the Year Ended December 31, 2005**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Amended</b>	<b>Amounts</b>	<b>Amended Budget</b>
<b>Expenditures - (continued)</b>				
Current: - (continued)				
Other financing sources:				
Transfers in	-	-	<b>5,358</b>	5,358
Net change in fund balance	(302,161)	(302,161)	<b>(216,949)</b>	85,212
Fund balance at beginning of year, as restated	2,825,662	2,825,662	<b>2,825,662</b>	-
<b>Fund balance at end of year</b>	<b>\$2,523,501</b>	<b>\$2,523,501</b>	<b>\$ 2,608,713</b>	<b>\$ 85,212</b>

*See notes to financial statements.*

**Charter Township of Genesee**  
**Statement of Net Assets**  
**Proprietary Funds**  
**December 31, 2005**

	<u>Business-type Activities-Enterprise Funds</u>		
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 2,406,148	\$ 3,326,418	\$ 5,732,566
Investments	211,807	1,241,479	1,453,286
Receivables:			
Current taxes	-	194,797	194,797
Customers	569,379	582,750	1,152,129
Accrued interest	11,221	65,702	76,923
Current portion of special assessments	16,713	-	16,713
Current portion of tap-in receivables	45,926	20,835	66,761
Due from other funds	652,541	5,203	657,744
Advance to other funds	-	896,387	896,387
Prepaid items	-	5,650	5,650
Total current assets	<u>3,913,735</u>	<u>6,339,221</u>	<u>10,252,956</u>
Noncurrent assets:			
Restricted cash - revenue bond reserve	132,824	-	132,824
Capital assets	<u>7,992,086</u>	<u>16,283,754</u>	<u>24,275,840</u>
Total noncurrent assets	<u>8,124,910</u>	<u>16,283,754</u>	<u>24,408,664</u>
Other assets:			
Long-term portions of:			
Special assessments receivable	2,952	-	2,952
Tap-in contracts receivable	127,366	33,571	160,937
Bond issuance costs	-	32,038	32,038
Total other assets	<u>130,318</u>	<u>65,609</u>	<u>195,927</u>
Total assets	<u>\$ 12,168,963</u>	<u>\$ 22,688,584</u>	<u>\$ 34,857,547</u>

*See notes to financial statements.*

<b>Business-type Activities-Enterprise Funds</b>			
	<b>Water</b>	<b>Sewer</b>	<b>Totals</b>
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	\$ 4,636	\$ 270,496	\$ 275,132
Accrued liabilities	147,489	12,669	160,158
Due to other funds	95,104	688,837	783,941
Due to other governments	-	5,000	5,000
Deferred revenue	-	155,283	155,283
Current portion of long-term debt	75,000	392,376	467,376
Total current liabilities	322,229	1,524,661	1,846,890
Long-term liabilities:			
Deposits payable	3,250	-	3,250
Advances from other funds	896,387	-	896,387
Long-term debt - net of current portion	1,210,000	769,687	1,979,687
Total long-term liabilities	2,109,637	769,687	2,879,324
<b>Net Assets</b>			
Invested in capital assets, net of related debt	6,839,910	15,121,691	21,961,601
Restricted for debt service	-	1,046,585	1,046,585
Unrestricted	2,897,187	4,225,959	7,123,146
Total net assets	9,737,097	20,394,235	30,131,332
Total liabilities and net assets	\$ 12,168,963	\$ 22,688,583	\$ 34,857,546

**Charter Township of Genesee**  
**Statement of Revenues, Expenses, and Changes in Fund Net Assets**  
**Proprietary Funds**  
**For the Year Ended December 31, 2005**

	<b>Business-type Activities-Enterprise Funds</b>		
	<b>Water</b>	<b>Sewer</b>	<b>Totals</b>
<b>Operating revenues</b>			
Usage fees	\$ 1,616,809	\$ 1,661,805	\$ 3,278,614
Meter fees	14,076	-	14,076
Hydrant fees	60,411	-	60,411
Miscellaneous	2,408	8,658	11,066
Total operating revenues	1,693,704	1,670,463	3,364,167
<b>Operating expenses</b>			
County usage	1,009,933	1,130,817	2,140,750
Depreciation	100,879	276,033	376,912
Amortization of bond issuance	-	13,731	13,731
General administration	283,909	221,468	505,377
Repairs and maintenance	47,168	210,491	257,659
Total operating expenses	1,441,889	1,852,540	3,294,429
Operating income (loss)	251,815	(182,077)	69,738
<b>Non-operating revenues (expenses)</b>			
Interest income	93,831	208,294	302,125
Interest expense	(112,359)	(56,095)	(168,454)
Property taxes	-	140,212	140,212
Total non-operating revenues (expenses)	(18,528)	292,411	273,883
Income before contributions	233,287	110,334	343,621
Capital contributions - tap fees	36,200	31,750	67,950
Change in net assets	269,487	142,084	411,571
Net assets at beginning of year, as restated	9,467,610	20,252,151	29,719,761
<b>Net assets at end of year</b>	<b>\$ 9,737,097</b>	<b>\$ 20,394,235</b>	<b>\$ 30,131,332</b>

*See notes to financial statements.*

**Charter Township of Genesee  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended December 31, 2005**

	<b>Business-type Activities-Enterprise Funds</b>		
	<b>Water</b>	<b>Sewer</b>	<b>T o t a l s</b>
<b>Cash flows from operating activities</b>			
Cash received from customers	\$ 1,729,301	\$ 1,736,172	\$ 3,465,473
Cash paid to employees	(116,935)	(116,605)	(233,540)
Cash paid to suppliers	(1,162,348)	(1,406,373)	(2,568,721)
Net cash provided by operating activities	450,018	213,194	663,212
<b>Cash flows from capital and related financing activities</b>			
Proceeds from property tax levy (restricted for debt service)	-	150,300	150,300
Collection of customer assessments	114,780	56,980	171,760
Payments on long-term advances to (from) other funds	(48,785)	48,785	-
Principal and interest paid on long-term debt	(187,359)	(455,016)	(642,375)
Purchase or construction of fixed assets	(209,197)	(841,363)	(1,050,560)
Net cash used in capital and related financing activities	(330,561)	(1,040,314)	(1,370,875)
<b>Cash flows from investing activities</b>			
Purchase of investments	(3,249)	(37,442)	(40,691)
Interest received on investments	93,831	208,294	302,125
Net cash provided by investing activities	90,582	170,852	261,434
Net increase (decrease) in cash and cash equivalents	210,039	(656,268)	(446,229)
Cash and cash equivalents at beginning of year	2,328,933	3,982,686	6,311,619
<b>Cash and cash equivalents at end of year</b>	<b>\$ 2,538,972</b>	<b>\$ 3,326,418</b>	<b>\$ 5,865,390</b>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities</b>			
Operating income (loss)	\$ 251,815	\$ (182,077)	\$ 69,738
Adjustments to reconcile operating income (loss) to net cash from operating activities:			
Depreciation and amortization	100,879	289,764	390,643
Changes in assets and liabilities:			
Receivables	910	(67,416)	(66,506)
Due from other funds	34,687	133,125	167,812
Prepaid items	-	461	461
Accounts payable	(76,324)	5,978	(70,346)
Accrued and other liabilities	88,743	-	88,743
Due to other funds	49,308	33,359	82,667
Net cash provided by operating activities	\$ 450,018	\$ 213,194	\$ 663,212

*See notes to financial statements.*

**Charter Township of Genesee  
Statement of Fiduciary Net Assets  
Fiduciary Funds  
December 31, 2005**

**Assets**

Cash and cash equivalents	\$ 2,537,190
Investments	<u>28,139</u>
Total assets	<u><u>\$ 2,565,329</u></u>

**Liabilities**

Accounts payable	\$ 44,065
Due to other funds	1,451
Due to other governments	2,491,674
Cemetery endowment deposit payable	<u>28,139</u>
Total liabilities	<u><u>\$ 2,565,329</u></u>

*See notes to financial statements.*

## **Notes to Basic Financial Statements**



**Charter Township of Genesee  
Notes to Financial Statements  
December 31, 2005**

**I. Summary of significant accounting policies**

**A. Reporting entity**

In accordance with the criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity, the financial statements of the Charter Township of Genesee, Michigan (primary government), contain all the Township funds, account groups, and component units that are controlled by, or dependent on, the Township's executive or legislative branches. Control by the Township was determined on the basis of appointment of governing authority with an ability of the Township to impose its will or for which a financial benefit/burden exists. Fiscal dependence on the primary government was determined by budget adoption, taxing authority, outstanding debt secured by revenues or general obligation of the Township, obligation of the Township to finance any deficits that may occur, receipt of significant subsidies from the Township, disposition of surplus funds, and scope of public service.

The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the government.

**Blended component units:**

The Genesee Township Building Authority is governed by a Board that is appointed by the Township Board. Although it is legally separate from the Township, it is reported as if it were part of the primary government because its sole purpose is to finance and construct the Township's public buildings. All of the Building Authority's debt has been defeased and the Authority is currently inactive.

**Discretely presented component units:**

The Economic Development Corporation is reported within the component unit column in the combined financial statements. It is reported in a separate column to emphasize that it is legally separate from the Township. The Economic Development Corporation was created to provide means and methods for the encouragement and assistance of industrial and commercial enterprises in relocating, purchasing, constructing, improving or expanding within the Township so as to provide needed services and facilities of such enterprises. The Corporation's chief activity has been to develop and sell lots in the Dort-Carpenter Industrial Park. In fiscal year 2004, the EDC donated the Dort-Carpenter Industrial Park to the Township. Currently, the EDC is available to advise the Township on tax abatements and serve as a mechanism for future economic development. The Corporation's governing body, which consists of three individuals, is selected by the Township Board. The Corporation's financial information is included in these financial statements; it does not publish separately issued financial statements.

**Charter Township of Genesee**  
**Notes to Financial Statements**  
**December 31, 2005**

**I. Summary of significant accounting policies – (continued)**

**B. Government-wide and fund financial statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct* expenses are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**C. Measurement focus, basis of accounting, and financial statement presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, income taxes, licenses, and charges for services associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

**Charter Township of Genesee  
Notes to Financial Statements  
December 31, 2005**

**I. Summary of significant accounting policies – (continued)**

**C. Measurement focus, basis of accounting, and financial statement presentation – (continued)**

The government reports the following major governmental fund:

General Fund - The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

Capital Projects Fund – The capital projects fund is used to account for financial resources for the construction of major capital improvements within the Township.

The government reports the following major proprietary funds:

The Water Supply and Sewer Disposal System Fund are separate funds that are maintained for the operations of the water distribution system and sewage pumping and collection system that transport the sewage to Genesee County's Treatment Plant.

Additionally, the government reports the following fund types:

Agency Funds - Agency Funds are used to account for assets held by the Township in trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. These funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Agency Funds primarily account for the collection of property taxes for other units of government.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Township's water and sewer function and various other functions of the Township. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes and interest income.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water and Sewer enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

**Charter Township of Genesee  
Notes to Financial Statements  
December 31, 2005**

**I. Summary of significant accounting policies – (continued)**

**D. Assets, liabilities, and net assets or equity**

**1. Deposits**

The Township considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Investments are stated at fair value.

**2. Receivables and payables**

In general, outstanding balance between funds are reported as “due to/from other funds”, activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the year are referred to as “advances to/from other funds”. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances”.

Advances to other funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade, notes, contracts and property tax receivables are shown net of an allowance for uncollectibles.

**3. Prepaid items**

Certain payments to vendors reflect cost applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**4. Restricted assets**

The revenue bonds of the Water Fund require amounts to be set aside for bond reserve. The amount has been classified as restricted assets.

**5. Capital assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two (2) years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

In accordance with accounting principles generally accepted in the United States of America, recorded infrastructure assets include only those acquired after December 31, 2003. Prior to the implementation of GASB No. 34, records on these assets were not maintained.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

**Charter Township of Genesee  
Notes to Financial Statements  
December 31, 2005**

**I. Summary of significant accounting policies – (continued)**

**D. Assets, liabilities, and net assets or equity – (continued)**

4. Capital assets – (continued)

Property, plant, and equipment of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	30-39
Building improvements	30
Water and sewer distribution systems	50-100
Vehicles	5-7
Office equipment	5-10
Computer equipment	7
Roads (shared road improvements)	10-20
Pump stations	15

5. Property tax

The Township levies property taxes on December 1 each year based on assessed values established the prior December 1. These taxes become liens on the property at that date and are collected without penalty through February 28 of the following year. However, the revenues generated by the tax levy cannot be appropriated until the budget year following the levy date. The asset created by the levy on December 1 is recorded in the appropriate fund as current taxes receivable. In addition, a deferred revenue offset account is recorded recognizing the funds as unavailable for current appropriation. Tax collections made from December 1 through December 31 in the current tax agency fund and not distributed to other governments prior to year end are recorded as due to other governments. These monies are subsequently distributed to the appropriate governments in the ensuing budget year. Revenues generated by the levy of a 1% property tax administrative fee are recognized on a cash basis in the General Fund.

Property taxes are levied based on taxable values of property located in the Township. Assessed values are established annually and equalized by the state at an estimated 50% of current market value. A comparison of assessed and taxable property values for the December 2005 tax levy is as follows:

	<u>Assessed Value</u>	<u>Taxable Value</u>
Real property	\$455,192,440	\$358,548,510
Personal property	321,400	321,400
Qualified	26,324,100	26,324,100
Total	<u>\$481,837,940</u>	<u>\$385,194,010</u>

The Township is permitted by charter to levy up to \$5.00 (5 mills) per \$1,000 of state equalized value for general governmental services. For the year ended December 31, 2005 (i.e. the December 2005 tax roll), the Township levied 4.7638 mills per \$1,000 of taxable value for general operations. The Township is permitted to levy unlimited amounts for payment of Pre-Headlee general long-term debt obligations. For the year ended December 31, 2005, .35 mills were being levied for long-term debt retirement in the Sewer Fund.

**Charter Township of Genesee**  
**Notes to Financial Statements**  
**December 31, 2005**

**I. Summary of significant accounting policies – (continued)**

**D. Assets, liabilities, and net assets or equity – (continued)**

6. Compensated absences (vacation)

It is the Township's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. There is no liability for unpaid accumulated sick leave since the Township does not have a policy to pay any amounts when employees separate from service with the Township. All vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end.

7. Long-term obligations

In the government-wide financial statements, and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

8. Fund equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

9. Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

**Charter Township of Genesee  
Notes to Financial Statements  
December 31, 2005**

**II. Reconciliation of government-wide and fund financial statements**

**A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets**

The governmental fund balance sheet includes a reconciliation between *fund balance -total governmental funds* and *net assets -governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this difference are as follows:

Bonds and notes payable	\$580,105
Compensated absences	<u>78,327</u>
Net adjustment to reduce <i>fund balance -total governmental funds</i> to arrive at <i>net assets -governmental activities</i>	<u><u>\$658,432</u></u>

**B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities**

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances -total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated use-full lives and reported as depreciation expense." The details of this difference are as follows:

Proceeds sale of capital assets	\$ (22,770)
Capital outlay	1,545,521
Depreciation expense	<u>(307,148)</u>
Net adjustment to increase <i>net changes in fund balances -</i> <i>total governmental funds</i> to arrive at <i>changes in net assets</i> <i>of governmental activities</i>	<u><u>\$1,215,673</u></u>

**III. Stewardship, compliance, and accountability**

**A. Budgetary information**

Budget appropriations lapse at year end, except for certain projects which are appropriated on a project length basis.

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to January 1, a proposed operating budget for the fiscal year commencing January 1 is presented. The operating budget includes proposed expenditures and the means of financing them, for the General Fund.

**Charter Township of Genesee  
Notes to Financial Statements  
December 31, 2005**

**III. Stewardship, compliance, and accountability – (continued)**

**A. Budgetary information – (continued)**

2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to January 1, the budget for the General Fund is legally enacted on an activity basis through passage of a resolution and in accordance with Public Act 621 of the State of Michigan.
4. Formal budgetary integration is employed as a management control device during the year for each budgeted activity. The budgets are adopted on a basis consistent with generally accepted accounting principles.
5. Budget appropriations lapse at year end except for approved contracts which are appropriated on a contract (grant) length basis. Encumbrances are not included as expenditures at year end. The amount of encumbrances outstanding at December 31, 2005, is not known.
6. Budgeted amounts are reported on the financial statements at the final amended budget amounts (or original amounts if not amended) by the Township Board.

**B. Excess of expenditures over appropriations**

The following individual cost centers incurred expenditures in excess of appropriations:

	<u>Final Budget</u>	<u>Actual</u>	<u>Actual Over Amended Budget</u>
General government – miscellaneous	\$ 40,300	\$ 66,199	\$ 25,899

**IV. Detailed notes on all funds**

**A. Deposits and investments**

Michigan Compiled Laws section 129.91 (Public Act 20 of 1943, as amended), authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivision, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Township has designated twelve banks for the deposit of its funds. The investment policy adopted by the Board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of State statutory authority as listed above. The Township's deposits and investment policies are in accordance with statutory authority.



**Charter Township of Genesee  
Notes to Financial Statements  
December 31, 2005**

**IV. Detailed notes on all funds – (continued)**

**A. Deposits and investments – (continued)**

The Township's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial credit risk of bank deposits:

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. At year end, the Township had \$7,970,166 of bank deposits (certificates of deposit, checking and savings accounts) that were uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution it deposits funds with and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Custodial credit risk of investments:

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Township does not have a policy for custodial credit risk. At year end, the following investment securities were uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the Township's name.

<u>Type of Investment</u>	<u>Carrying Value</u>	<u>How Held</u>
U.S. gov or agency bond or notes	\$159,529	Counterparty

Interest rate risk:

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Township's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270 day maturity. At year end, the average maturities of investments are as follows:

<u>Investment</u>	<u>Fair Value</u>	<u>Weighted Average Maturity</u>
U.S. gov or agency bond or note	\$159,529	2.7 years

Credit risk:

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Township has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

<u>Investment</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Organization</u>
Mutual fund	\$ 52,277	Aaa	Moody's

**Charter Township of Genesee  
Notes to Financial Statements  
December 31, 2005**

**IV. Detailed notes on all funds – (continued)**

**B. Receivables**

Receivables as of year end for the Township's individual major funds and the nonmajor in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General Fund</u>	<u>Capital Fund</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Receivables:					
Taxes	\$1,100,529	\$ -	\$ -	\$194,797	\$1,295,326
Accounts	963,554	-	762,336	637,156	2,363,046
Intergovernmental	548,126	-	-	-	548,126
Interest and other	3,364	8,421	11,221	65,702	88,708
Less allowance for uncollectibles	-	-	-	-	-
Net receivables	<u>\$2,615,573</u>	<u>\$ 8,421</u>	<u>\$113,557</u>	<u>\$897,655</u>	<u>\$4,295,206</u>

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Property taxes	<u>\$1,879,289</u>	<u>\$ -0-</u>

**B. Capital assets**

Capital asset activity for the year ended December 31, 2005 was as follows:

**Primary Government**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 499,500	\$ -	\$ (13,500)	\$ 486,000
Construction in progress	-	897,087	-	897,087
Total capital assets, not being depreciated	<u>499,500</u>	<u>897,087</u>	<u>(13,500)</u>	<u>1,383,087</u>
Capital assets, being depreciated:				
Buildings	1,829,287	7,340	-	1,836,627
Vehicles	2,020,168	363,084	(176,950)	2,206,302
Machinery and equipment	119,400	75,180	-	194,580
Road improvements	43,846	202,830	-	246,676
Total capital assets being depreciated	<u>4,012,701</u>	<u>648,434</u>	<u>(176,950)</u>	<u>4,484,185</u>

**Charter Township of Genesee**  
**Notes to Financial Statements**  
**December 31, 2005**

**IV. Detailed notes on all funds – (continued)**

**B. Capital assets – (continued)**

**Primary Government – (continued)**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental activities: - (continued)</b>				
Less accumulated depreciation for:				
Buildings	(1,636,273)	(5,490)	-	(1,641,763)
Vehicles	(1,444,866)	(260,160)	167,750	(1,537,276)
Machinery and equipment	(31,414)	(27,797)	-	(59,211)
Road improvements	(2,192)	(13,701)	-	(15,893)
Total accumulated depreciation	(3,114,745)	(307,148)	167,750	(3,254,143)
Total capital assets, being depreciated, net	791,620	341,286	9,200	1,230,042
Governmental activities capital assets, net	<u>\$ 1,397,456</u>	<u>\$ 1,238,373</u>	<u>\$ (22,700)</u>	<u>\$ 2,613,129</u>
<b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 7,000	\$ -	\$ -	\$ 7,000
Total capital assets, not being depreciated	7,000	-	-	7,000
Capital assets, being depreciated:				
Buildings and system	32,559,016	1,050,561	-	33,609,577
Vehicles	73,533	-	(11,914)	61,620
Machinery and equipment	67,404	-	-	67,404
Total capital assets, being depreciated	32,699,953	1,050,561	(11,914)	33,738,600
Less accumulated depreciation for:				
Buildings and system	(9,014,953)	(364,032)	-	(9,378,985)
Vehicles	(42,230)	(7,378)	11,914	(37,694)
Machinery and equipment	(47,579)	(5,502)	-	(53,081)
Total accumulated depreciation	(9,104,762)	(376,912)	11,914	(9,469,760)
Total capital assets, being depreciated, net	23,595,191	673,649	-	24,268,840
Business-type activities capital assets, net	<u>\$23,602,191</u>	<u>\$ 673,649</u>	<u>\$ -0-</u>	<u>\$24,275,840</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

    Current:

General government	\$ 25,008
Public safety	268,439
Highway and streets	<u>13,701</u>

Total depreciation expense – governmental activities \$307,148

**Charter Township of Genesee  
Notes to Financial Statements  
December 31, 2005**

**IV. Detailed notes on all funds – (continued)**

**B. Capital assets – (continued)**

Business-type activities:	
Water	\$100,879
Sewer	<u>276,033</u>
Total depreciation expense – Business-type activities	<u>\$376,912</u>

**C. Interfund receivables, payables, and transfers**

The composition of interfund balances as of December 31, 2005 is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Storm Drain	\$ 44,003
Sanitary Sewer	Water	5,202
General	Sanitary Sewer	36,295
General	Water	89,902
General	Community Development	32,598
General	Trust and Agency	1,451
Water	Sanitary Sewer	652,541
Capital Project	General	<u>63,970</u>
Total		<u>\$925,962</u>

Individual fund interfund advances receivable and payable balances at December 31, 2005, are shown below:

	<u>Advance Receivable</u>	<u>Advance Payable</u>
Enterprise Funds:		
Water Utility Fund	\$ -	\$896,387
Sewer Utility Fund	<u>896,387</u>	<u>-</u>
	<u>\$896,387</u>	<u>\$896,387</u>

This twenty year advance from the Sewer Utility Fund to the Water Utility Fund bears interest at 5.5% per year and requires semi-annual principal and interest payments of \$50,054. Final payment is due January 1, 2018.

Due to/from primary government and component units:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Economic Development Corp.	General	<u>\$ 257</u>

**Charter Township of Genesee**  
**Notes to Financial Statements**  
**December 31, 2005**

**IV. Detailed notes on all funds – (continued)**

**C. Interfund receivables, payables, and transfers – (continued)**

Interfund transfers reported in the fund financial statements are comprised of the following:

<u>Fund Providing Resources</u>	<u>Fund Receiving Resources</u>	<u>Amount</u>
Drug forfeiture	General Fund	\$ 5,321
Dort Carpenter 1978 Series A	General Fund	37
Total		<u>\$ 5,358</u>

The transfer from drug forfeiture represents reimbursement for police wages. The transfer from debt service was made to close the fund.

**D. Long-term debt**

The government issues bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. Contractual agreements and installment purchase agreements are also general obligations of the government. All Michigan Municipal Bond Authority debt is secured by future State of Michigan Revenue Sharing payments the Township is entitled to receive under state law. All revenue bonds are supported by the revenues generated from the operation of the respective facilities constructed. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

Bond and contractual obligation activity can be summarized as follows:

	<u>General Obligation Bonds</u>	<u>Revenue Bonds and Notes</u>	<u>Accumulated Annual Pay</u>	<u>Capital Leases</u>
Governmental activities:				
Debt at January 1, 2005	\$ 12,122	\$ -	\$ 84,143	\$ 326,563
New debt	-	-	-	346,107
Principal payments made	<u>(3,030)</u>	<u>-</u>	<u>(5,816)</u>	<u>(101,657)</u>
Total governmental activities				
long-term debt at December 31, 2005	<u>9,092</u>	<u>-</u>	<u>78,327</u>	<u>571,013</u>

**Charter Township of Genesee**  
**Notes to Financial Statements**  
**December 31, 2005**

**IV. Detailed notes on all funds – (continued)**

**D. Long-term debt**

The following is a summary of Business Type long-term debt transactions of the Township for the year ended December 31, 2005:

	<u>General Obligation Bonds</u>	<u>Revenue Bonds and Notes</u>	<u>Accumulated Annual Pay</u>	<u>Capital Leases</u>
Business type activities:				
Long-term debt payable at January 1, 2005	1,554,439	1,360,000	-	-
New debt	-	-	-	-
Principal payments made	(392,376)	(75,000)	-	-
Total business type activities long-term debt at December 31, 2005	1,162,063	1,285,000	-	-
Total long-term debt - all activities December 31, 2005	\$1,171,155	\$1,285,000	\$ 78,327	\$ 571,013

Long-term obligation activity can be summarized as follows:

	<u>Final Payment Due</u>	<u>Interest Rate or Range</u>	<u>Balance at December 31, 2004</u>	<u>Retirements During Year</u>	<u>Balance at December 31, 2005</u>	<u>Due Within One Year</u>
Governmental activities:						
Hughes Twenty Drain	4/1/2008		\$ 12,122	\$ (3,030)	\$ 9,092	\$ 3,030
2001 Fire Truck	2/5/2008	5.89	127,924	(29,290)	98,634	31,015
2002 Fire Truck	1/24/2010	Prime +1	198,639	(29,049)	169,590	30,563
2005 Fire Truck	10/27/2011	4.38	-	(43,318)	302,789	45,215
Total governmental activities			\$ 338,685	\$(104,687)	\$580,105	\$109,823
Business-type activities:						
Enterprise funds:						
Water Revenue Bond						
Series 1998	3/1/2018	4.40-6.40	\$1,360,000	\$ (75,000)	\$1,285,000	\$ 75,000
Series C-1998 Refunding	4/1/2008	3.70-4.55	1,205,000	(305,000)	900,000	305,000
Sanitary System No. 2	4/1/2008		349,439	(87,316)	262,063	87,376
Total business-type activities			\$2,914,439	\$(467,376)	\$2,447,063	\$467,376

**Charter Township of Genesee**  
**Notes to Financial Statements**  
**December 31, 2005**

**IV. Detailed notes on all funds – (continued)**

**D. Long-term debt – (continued)**

Annual debt service requirements to maturity for the above obligations are as follows:

<u>Year End December 31,</u>	<u>Governmental Activities</u>		<u>Business Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2006	\$109,823	\$ 28,420	\$ 467,376	\$102,379
2007	115,223	22,815	462,376	82,143
2008	120,902	16,933	462,311	61,735
2009	87,013	10,862	80,000	49,576
2010	91,121	6,756	85,000	45,718
2011-2015	56,023	2,454	510,000	160,528
2016-2018	-	-	380,000	29,250
Total	<u>\$580,105</u>	<u>\$ 88,240</u>	<u>\$2,447,063</u>	<u>\$531,329</u>

Act 359, Public Acts of State 1947, as amended, provides that net indebtedness of townships cannot exceed 10% of the assessed real and personal property in the Township. As of December 31, 2005, the Charter Township of Genesee had not incurred any indebtedness which would be limited under Act 359. The Township's existing general long-term debt obligation contracts are specifically exempt from consideration in the 10% limit computation.

**V. Other information**

**A. Retirement plans and other post-employment benefits**

**1. Defined benefit pension plan**

Plan description:

The Township has elected to participate in the Michigan Municipal Employees Retirement System (MERS) which is an agent multiple-employer public employee retirement system (PERS) that is administered by the State of Michigan. The MERS was organized pursuant to Act No. 427, Public Acts of 1984, as amended, and the Constitution of the State of Michigan. The Township has no fiduciary responsibility for the plan. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system as a whole. The system provides retirement benefits, as well as death and disability benefits. Service retirement benefits vest after 10 years of service or after age 60 is attained; payment is based as follows:

- For police officers, 2% of the three-year final average compensation multiplied by the credited years of service

**Charter Township of Genesee  
Notes to Financial Statements  
December 31, 2005**

**V. Other information – (continued)**

**A. Retirement plans and other post-employment benefits – (continued)**

**1. Defined benefit pension plan – (continued)**

Plan description: – (continued)

- For elected officials, 2.5% of the five-year final average compensation (FAC) multiplied by the credited years of service, with a maximum benefit of 80% of FAC
- For general employees, 2.25% of the five-year final average compensation (FAC) multiplied by the credited years of service, with a maximum benefit of 80% of FAC

Deferred retirement benefits vest after 15 years of service, but are not paid until age 55. The obligation to contribute to and maintain the system for these employees was established by Township board resolution and requires no contribution from the employees.

Membership in the plan at December 31, 2004, the date of the latest actuarial valuation, is comprised of 55 active members, 2 inactive vested members, and 23 retirees and beneficiaries.

Funding policy:

The plan provides that the employer contribute amounts necessary to fund the actuarially determined benefits. The Township makes employer contributions in accordance with funding requirements determined by MERS' actuary. Benefit provisions and contribution obligations have been established by union contract.

Actuarial assumptions:

The significant actuarial assumptions used to compute the actuarial accrued liabilities are as follows:

Valuation date	December 31, 2004
Actuarial cost method	Entry age normal actuarial
Amortization method	Level percentage of payroll
Remaining amortization period	32 years open
Asset valuation method	5 year smoothed market
Investment rate of return	8.0%
Projected salary increases	0% - 8.40%
Includes inflation at	4.5%
Cost of living adjustments (COLA)	up to 4.5%



**Charter Township of Genesee  
Notes to Financial Statements  
December 31, 2005**

**V. Other information – (continued)**

**A. Retirement plans and other post-employment benefits – (continued)**

**1. Defined benefit pension plan – (continued)**

Annual pension cost:

The Township's Annual Required Contribution (ARC) and Annual Pension Cost (APC) for the year ended December 31, 2005 was \$546,055. All employer contributions made were equal to required contributions by MERS. There was no accumulated Net Pension Obligation (NPO) at December 31, 2004. The Annual Pension Cost (APC), percentage of APC contributed, and Net pension obligation (NPO) for the years ended December 31, 2003 through December 31, 2005, are summarized as follows:

<u>Plan Year Ended</u>	<u>Actuarial Valuation Date</u>	<u>Annual Pension Cost (APC)</u>	<u>% of APC Contributed</u>	<u>Net Pension Obligation</u>
12/31/03	12/31/02	\$303,252	100%	\$ -
12/31/04	12/31/03	480,744	100	-
12/31/05	12/31/04	546,055	100	-

The Plan's Schedule of Funding Progress can be found in the Required Supplementary Information section, located at page 34.

**2. Post-employment benefits**

Employees who meet certain point requirements (based on age and years of service) are eligible to receive post-employment benefits upon retirement in the form of health care, vision, and dental insurance benefits. These benefits are provided by contractual agreement and are paid annually by the General Fund. The Township funds these costs on a pay-as-you-go basis. The amounts are recorded as an expenditure when the fund liability is incurred. The benefit amounts incurred totaled \$182,811 during the year ended December 31, 2005. The total number of eligible retirees amounted to 21 individuals at December 31, 2005, with 19 participating. There are no provisions for employee contributions.

**B. Construction code revenues/expenditures**

The State Construction Code Act, Michigan Public Act 245 of 1999, and rules promulgated by the Department of Treasury regarding that Act, require that a local unit's fees collected from construction code permits be accounted for in a method which shows that all of these fees were used for expenditures related to the operation of the enforcing agency. The rules indicated that if the revenues exceeded the expenditures, the fees collected must be kept in a separate fund with all the revenues and expenditures accounted for in that fund. These rules allowed for monitoring these funds in a separate activity center within the General Fund if the expenditures would normally exceed the revenues. The Township chose the latter because historically, the expenditures have exceeded revenues. The activity related to construction code activity for the year ended December 31, 2005 is as follows:

Construction permit revenue	\$ 48,127
Expenditures:	
Professional services	<u>127,164</u>
Expenditures over revenues	<u>\$ (79,037)</u>

**Charter Township of Genesee  
Notes to Financial Statements  
December 31, 2005**

**V. Other information – (continued)**

**C. Risk management and contingent liabilities**

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Township has purchased commercial insurance for workers' compensation claims, and participates in the Michigan Municipal League risk pool for claims relating to property, general liability and medical benefit claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

The Township participates in various federally assisted programs. These programs are subject to compliance audits in accordance with Single Audit Act. A single audit was required since the Township expended more than \$500,000 in federal funds. The amount, if any, of expenditures which may be disallowed by the granting agency cannot be determined at this time, although, the Township expects such amounts to be immaterial.

**D. Construction commitment**

The Township has active construction projects at year end for a construction of a new fire hall.

	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Fire hall	<u>\$761,776</u>	<u>\$675,793</u>

**E. Upcoming reporting changes**

The Governmental Accounting Standards Board has recently released Statement No. 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pension*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ending December 31, 2010. Management is currently assessing the impact of this new accounting standard on the Township's financial statements for future reporting periods.

**Charter Township of Genesee**  
**Notes to Financial Statements**  
**December 31, 2005**

**V. Other information – (continued)**

**F. Fund balance/net asset restatement**

The fund balance/net asset of the General Fund and Water and Sewer fund at December 31, 2004 has been restated to correct an error. The adjustment reflects expenses that were improperly allocated at December 31, 2004. The fund balance/net assets of the general fund and sewer fund have been restated to correct an error. The adjustment reflects revenues that should have not been recognized at December 31, 2004.

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>General Fund</u>	<u>Sewer Fund</u>	<u>Water Fund</u>
Fund balance at 12/31/04, as previously reported	\$ 6,759,491	\$29,937,915	\$2,747,194	\$20,430,619	\$9,507,296
Adjustment to unrecognize revenue	(1,760,666)	(139,686)	-	(139,686)	-
Adjustment to correct expense allocation	78,468	(78,468)	78,468	(38,782)	(39,686)
Adjustment for error in annual pay	35,395	-	-	-	-
Adjustment for capital assets over depreciation	106,336	-	-	-	-
Fund balance/net asset at 12/31/04, as restated	<u>\$5,219,024</u>	<u>\$29,719,761</u>	<u>\$2,825,662</u>	<u>\$20,252,151</u>	<u>\$9,467,610</u>

## **Required Supplementary Information**

**Charter Township of Genesee  
Required Supplementary Information  
Analysis of Funding Progress  
December 31, 2005**

**Pension Plan  
Schedule of Funding Progress**

<u>Plan Year End</u>	<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability Entry Age (AAL) (b)</u>	<u>Unfunded (Over funded) AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll ( c )</u>	<u>UAAL as % of Covered Payroll (b-a)/c)</u>
12/31/04	12/31/02	\$3,856,990	\$6,706,491	\$2,849,501	58%	\$2,080,698	137%
12/31/05	12/31/03	4,538,294	9,025,051	4,486,757	50	2,270,884	198
12/31/06	12/31/04	5,153,989	10,143,786	4,989,797	51	2,515,188	198

## **Supplemental Section**

**Charter Township of Genesee  
Nonmajor Governmental Funds  
Summary Descriptions  
December 31, 2005**

**Special Revenue Fund**

The Community Development Fund is used to account for activities relating to Community Development federal projects.

**Debt Service Funds**

The Dort-Carpenter 1978 Series A Fund is used to account for the accumulation of resources for, and the payment of, long-term debt principal, interest, and related costs.

The Storm Drain Fund is used to account for the accumulation of resources for, and the payment of, long-term debt principal, interest, and related costs.

**Charter Township of Genesee  
Combining Balance Sheet  
Nonmajor Governmental Funds  
December 31, 2005**

	<u>Special Revenue</u>		<u>Debt Service</u>		<u>Total Nonmajor Governmental Funds</u>
	<u>Community Development</u>	<u>Drug Forfeiture</u>	<u>Dort - Carpenter 1978 Series A</u>	<u>Storm Drain</u>	
<b>Assets</b>					
Cash and cash equivalents	\$ -	\$ 15,126	\$ -	\$ 56,443	\$ 71,569
Due from other governments	32,598	-	-	-	32,598
Total assets	<u>\$ 32,598</u>	<u>\$ 15,126</u>	<u>\$ - 0 -</u>	<u>\$ 56,443</u>	<u>\$ 104,167</u>
<b>Liabilities</b>					
Accounts payable	\$ -	5,706	\$ -	\$ -	\$ 5,706
Due to other funds	32,598	-	-	44,003	76,601
Total liabilities	<u>32,598</u>	<u>5,706</u>	<u>-</u>	<u>44,003</u>	<u>82,307</u>
<b>Fund Balances</b>					
Unreserved, undesignated	-	9,420	-	12,440	21,860
Total liabilities and fund balances	<u>\$ 32,598</u>	<u>\$ 15,126</u>	<u>\$ - 0 -</u>	<u>\$ 56,443</u>	<u>\$ 104,167</u>



**Charter Township of Genesee**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended December 31, 2005**

	<u>Special Revenue</u>		<u>Debt Service</u>		<u>Total Nonmajor Governmental Funds</u>
	<u>Community Development</u>	<u>Drug Forfeiture</u>	<u>Dort - Carpenter 1978 Series A</u>	<u>Storm Drain</u>	
<b>Revenues</b>					
Intergovernmental:					
Federal	\$ 400,985	\$ -	\$ -	\$ -	\$ 400,985
State	-	-	-	-	-
Forfeitures	-	45,659	-	-	45,659
Interest	-	-	139	1,371	1,510
Total revenues	400,985	45,659	139	1,371	448,154
<b>Expenditures</b>					
General government	122,930	-	-	-	122,930
Public safety	-	30,918	-	-	30,918
Highways and street	181,535	-	-	-	181,535
Health and welfare	96,520	-	-	-	96,520
Debt service:					
Principal	-	-	-	3,031	3,031
Interest and fiscal charges	-	-	-	740	740
Total expenditures	400,985	30,918	-	3,771	435,674
Excess (deficiency) of revenues over expenditures	-	14,741	139	(2,400)	12,480
Other financing uses:					
Transfers out	-	(5,321)	(37)	-	(5,358)
Net change in fund balance	-	9,420	102	(2,400)	7,122
Fund balance at beginning of year	-	-	(102)	14,840	14,738
<b>Fund balance at end of year</b>	<b>\$ - 0 -</b>	<b>\$ 9,420</b>	<b>\$ - 0 -</b>	<b>\$ 12,440</b>	<b>\$ 21,860</b>

**Charter Township of Genesee  
Community Development Fund  
Schedule of Revenues, Expenditures, and Changes in Fund Balances -  
Budget and Actual  
For the Year Ended December 31, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Amended</u>	<u>Amounts</u>	<u>Amended</u>
				<u>Budget</u>
<b>Revenues</b>				
Intergovernmental:				
Federal	\$ 475,000	\$ 475,000	\$ 400,985	\$ (74,015)
Total revenues	475,000	475,000	400,985	(74,015)
<b>Expenditures</b>				
General government	122,930	122,930	122,930	-
Highways and streets	181,535	181,535	181,535	-
Health and welfare	170,535	170,535	96,520	74,015
Total expenditures	475,000	475,000	400,985	74,015
Excess of revenues over expenditures	-	-	-	-
Fund balance at beginning of year	-	-	-	-
<b>Fund balance at end of year</b>	<b>\$ - 0 -</b>	<b>\$ - 0 -</b>	<b>\$ - 0 -</b>	<b>\$ - 0 -</b>

**Charter Township of Genesee  
Agency Funds  
Combining Balance Sheet  
For the Year Ended December 31, 2005**

	<b>Current Tax Fund</b>	<b>General Trust and Agency</b>	<b>Drug Forfeiture</b>	<b>Total</b>
<b>Assets</b>				
Cash and cash equivalents	\$ 2,484,283	\$ 52,907	\$ -	\$ 2,537,190
Investments	-	28,139	-	28,139
	<u>\$ 2,484,283</u>	<u>\$ 81,046</u>	<u>\$ - 0 -</u>	<u>\$ 2,565,329</u>
<b>Liabilities</b>				
Accounts payable	\$ -	\$ 44,065	\$ -	\$ 44,065
Due to other funds	-	1,451	-	1,451
Due to other governments	2,484,283	7,391	-	2,491,674
Cemetery endowment deposits payable	-	28,139	-	28,139
Total liabilities	<u>\$ 2,484,283</u>	<u>\$ 81,046</u>	<u>\$ - 0 -</u>	<u>\$ 2,565,329</u>

**Charter Township of Genesee  
Agency Funds  
Combining Statement of Changes in Assets and Liabilities  
For the Year Ended December 31, 2005**

	Balance January 1, 2005	Additions	Deductions	Balance December 31, 2005
<b><u>Current Tax Fund</u></b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 3,653,360	\$ 14,831,604	\$ 16,000,681	\$ 2,484,283
Total assets	\$ 3,653,360	\$ 14,831,604	\$ 16,000,681	\$ 2,484,283
<b>Liabilities</b>				
Due to other funds	\$ 1,094,596	\$ 3,772,224	\$ 4,866,820	\$ -
Due to other governments	2,558,764	26,814,694	26,889,175	2,484,283
Total liabilities	\$ 3,653,360	\$ 30,586,918	\$ 31,755,995	\$ 2,484,283
<b><u>General Trust and Agency Fund</u></b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 50,747	\$ 140,265	\$ 138,105	\$ 52,907
Investments	27,327	812	-	28,139
Total assets	\$ 78,074	\$ 141,077	\$ 138,105	\$ 81,046
<b>Liabilities</b>				
Accounts payable	\$ 40,056	\$ 161,651	\$ 157,642	\$ 44,065
Due to other funds	1,761	14,976	15,286	1,451
Due to other governments	8,930	69,226	70,765	7,391
Cemetery endowments deposits payable	27,327	812	-	28,139
Total liabilities	\$ 78,074	\$ 246,665	\$ 243,693	\$ 81,046
<b><u>Drug Forfeiture</u></b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 50,058	\$ 18,003	\$ 68,061	\$ - 0 -
<b>Liabilities</b>				
Accounts payable	\$ 33,363	\$ 18,003	\$ 51,366	\$ - 0 -
Due to other funds	16,695	-	16,695	-
	\$ 50,058	\$ 18,003	\$ 68,061	\$ - 0 -
<b><u>Total All Agency Funds</u></b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 3,754,165	\$ 14,989,872	\$ 16,206,847	\$ 2,537,190
Investments	27,327	812	-	28,139
Total assets	\$ 3,781,492	\$ 14,990,684	\$ 16,206,847	\$ 2,565,329
<b>Liabilities</b>				
Accounts payable	\$ 73,419	\$ 179,654	\$ 209,008	\$ 44,065
Due to other funds	1,113,052	3,787,200	4,898,801	1,451
Due to other governments	2,567,694	26,883,920	26,959,940	2,491,674
Cemetery endowments deposits payable	27,327	812	-	28,139
Total liabilities	\$ 3,781,492	\$ 30,851,586	\$ 32,067,749	\$ 2,565,329

March 24, 2006

Board of Trustee  
Charter Township of Genesee  
Genesee, Michigan

We have recently completed our audit of the financial statements for the Charter Township of Genesee for the year ended December 31, 2005. As a result of our audit, we offer the following observations and comments for your consideration:

#### **Purchase Orders**

During our audit, it was noted that purchase orders are occasionally prepared after the purchase of the item. We recommend the Township review its purchase order process for effectiveness and efficiency.

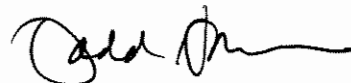
#### **Revenue Bond Cash Reserve**

Upon reviewing the water revenue bond agreement, we noted that it requires the Township to set aside a reserve fund in a separate bank account. While the amount has been recorded as restricted cash in the water fund, we recommend that cash be transferred to a new bank account. This will allow the Township to be in technical compliance with the bond agreement.

We would like to thank the Township personnel for the courtesy and assistance extended to us during the audit. We would be happy to answer any questions or concerns you have regarding the annual financial report and the above comments and recommendations at your convenience.

Sincerely,

Plante & Moran, PLLC



Tadd A. Harburn, CPA  
Partner